

Panetta's Excellent Pentagon Adventure: Cut Cash, Rewrite Strategy

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CIA Director Leon Panetta knows what his overriding task will be as President Obama's [next defense secretary](#): cutting the defense budget down to size. No one needs to wait for his Senate confirmation hearing on Thursday to hear about that. But defense analysts are itching to hear how Panetta will adjust U.S. defense strategy to make the impending budget cuts make sense.

It's too glib to say Panetta's test as defense chief will be to execute Obama's desired 12-year, \$400 billion budget cut. Panetta will take over the Pentagon from Robert Gates at a time when not only is the budget out of whack, but so is U.S. defense strategy. The U.S. is fighting three wars at once, all of which have a debatable relationship to the national interest. His real test is how he can craft a smaller budget that supports a more sustainable strategy — one that cuts back on ground wars and personnel costs and emphasizes maritime, air and cyber dominance.

“Gates has laid down a marker” for defense cuts, says Andrew Krepinevich, the president of the Center for Strategic and Budgetary Assessments, a leading defense think tank. “Let strategy drive [budgetary] priorities. That's going to be a challenge.”

If the Senate Armed Services Committee does its job on Thursday, Panetta won't just mouth blandishments about tweaking the budget while keeping the military strong. But even if he does, it won't delay Secretary Panetta's day of reckoning with defense strategy and defense cash.

It's an overstatement to say Gates' legacy hangs over everything Panetta will do at the Pentagon from the outset. But he casts a long shadow. Not only did Gates try to [steer the Pentagon bureaucracy into supporting the Iraq and Afghanistan wars](#), he cancelled big-ticket planes, trucks and ships cherished by the services that he considered archaic. More immediately for Panetta, Gates' final major act in office was to order a review of the military's “roles and missions” to see what could be jettisoned, before giving speeches [suggesting that not much can](#).

Panetta would do well to ignore that advice, says Benjamin Friedman, a security analyst at the libertarian Cato Institute. “If you're serious about cutting the defense budget, you have to reconsider the ambitions it serves,” says Friedman, who recently penned a

[provocative article criticizing Gates](#). “You can try to have your cake and eat it too by going with ‘efficiency’ savings, if the purpose is to offend no one. But saving money requires choices. People are going to lose.”

That requires reopening questions that Gates essentially closed. Does the Army need to [keep 32,000 troops in Europe](#)? What about replacing ground troops in South Korea with more South Korean troops, and relying on sea and air power to deter a North Korean invasion? Or, say, fewer Libya wars, with their [murky connection to the national interest](#)?

Successive big-picture Pentagon studies, known as Quadrennial Defense Reviews, have either punted on those questions or answered them in the negative, and that’s a big reason that defense spending tops half a trillion dollars annually *without* the cost of the wars. Panetta got this nomination in large part because Obama trusts him to guide spending down without prompting a big military pushback. Seasoned defense budget hawks simply [don’t believe](#) that the budget can be responsibly cut while asking the military to continue laboring at a backbreaking pace.

Then comes another difficult choice. If the defense budgets are to essentially stay flat but the missions remain, then the military has to either slash its acquisitions and procurement budgets, the stuff it buys, or its personnel costs, the pay and benefits for keeping people in uniform, which total [about \\$100 billion annually](#). Cutting either is politically arduous.

It’s an admittedly thin reed, but Panetta’s tenure at the CIA doesn’t suggest he’ll be keen to cut military benefits, if only to avoid making enemies. Taking care of his operatives at the CIA was a core priority for a director with little intelligence experience. Panetta vigorously opposed congressional and Justice Department [investigations into CIA torture](#), and he [didn’t point fingers](#) after an al-Qaida double agent infiltrated a crucial CIA base in Afghanistan. That was partially how Panetta earned and kept the trust of his agents despite being an intel novice — the same situation he’ll face at the Pentagon.

Others think Panetta will have to cut personnel costs to preserve weapons and programs relevant to the most likely future conflicts, which are [probably sea, air, space and cyber based](#). Krepinevich wants Panetta to secure a decision from the White House to defer major cuts until after the drawdowns from Iraq and Afghanistan, when the Army and Marine Corps could likely be cut below [the reduced force levels Gates envisions after 2015](#). If not, then Panetta could face a situation where he has to cut from planes, ships and missiles up front that might be needed in combat — and, in the process, probably not save that much money in the short term.

“If you cancel the F-35 [Joint Strike Fighter, the military's biggest weapons program], you’re not going to get \$300 billion, the cost of the entire program over its life cycle, you’ll get the fraction spent in the coming fiscal year,” Krepinevich explains. “If you cut personnel, you get the money right away. With 20,000 fewer troops, you don’t have to pay salaries, medical benefits, and even some modernization because don’t have to outfit or equip” those troops.

Again, it's hard to view Panetta's time at CIA as a guide to his time at the Pentagon. But chances are the last place he'll look for cuts will be in the intelligence, surveillance and reconnaissance gear that Gates — another ex-CIA director — boosted big time. Counterinsurgency might find itself in eclipse due to the impending drawdowns in Iraq and Afghanistan, giving way to targeted counterterrorist operations. But both missions are undergirded by the improved awareness brought by Gates' surge in drones, spy planes and sensors, something a CIA chief is sure to understand — and protect.

Indeed, if Panetta wants to make the building his own — that is, safe for the impending budget cuts — he might also need to take a page from Gates' book and fire someone with stars on his shoulders. "It's the biggest bureaucracy in the world, and civilian control is limited," Friedman notes. Defense secretaries from Dick Cheney to Gates found failed senior officers to cashier within months of coming into office. Counterintuitively, it's a time-tested method to earn respect and establish little tolerance for failure. Whether Panetta can channel that into successful defense cuts — that is, cuts that bring down the budget in line with a streamlined U.S. defense strategy — will determine whether he succeeds or fails as secretary.